Weekly Economic Review

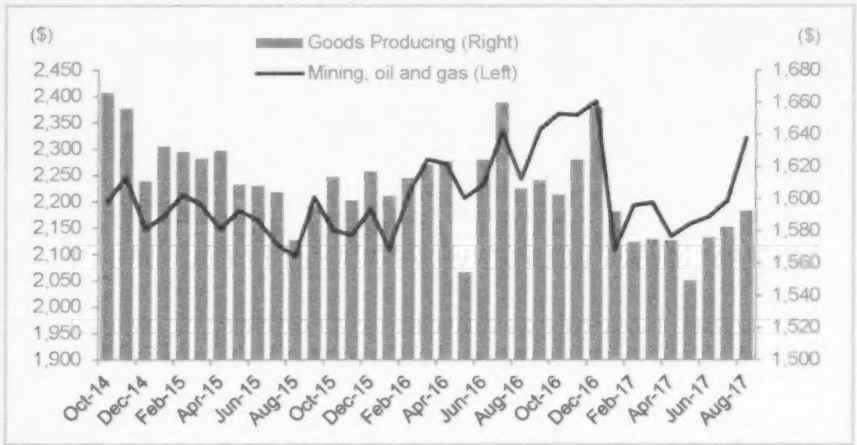
Earnings show signs of improvement

Average Weekly Earnings

Resurgence in mining, oil and gas earnings lift overall AWE

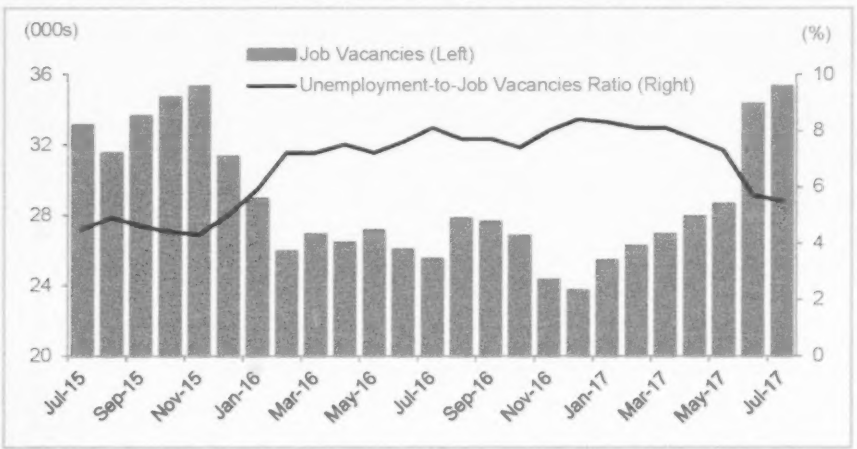
After remaining flat for most of 2017, average weekly earnings (AWE) are showing signs of improvement. AWE grew by 0.6% month-over-month (m/m) to $1,134 in August, as ongoing gains in the service sector have been joined by an emergence of growth in the goods sector earnings. Goods sector AWE has improved for three consecutive months after dipping to a three-year year low in May 2017. The increase was led by strong gains in mining, oil and gas extraction (+5.4% m/m) which rebounded from April (Chart 1). This has been partially offset by ongoing weakness in construction earnings, which fell 2.0% to hit a five-year low. Meanwhile, service sector AWE has been propped by gains in finance and insurance, wholesale trade, and transportation and warehousing, which outweighed declines in retail trade and professional, scientific and technical service. Year-to-date (YTD), AWE is little changed (+0.2% YTD) reflecting weakness in the first half of the year.

Chart 1: Surge in mining, oil and gas earnings props up goods sector AWE
Alberta's average weekly earnings by industry



Source: Statistics Canada

Chart 2: Unemployment-to-job vacancy ratio coming down
Total job vacancies and unemployment-to-job vacancies ratio in Alberta



Source: Statistics Canada

Job Vacancies

Job vacancies continue to rise

Opportunities are increasing for job seekers in the province. Building off of a surge in the previous period, the number of job vacancies grew by 1,000 to reach 35,300 in the three-month period ending in July. With the number of open employment positions on the rise, the unemployment-to-job vacancy ratio fell to a nineteen-month low of 5.5, down from a peak of 8.4 in late 2016 (Chart 2).

New Housing Investment

Investment gathers strength

The recovery in new housing investment continues to accelerate. Investment in Alberta's new housing construction rose 25% from a year ago to $806 million in August. While single-family dwellings continue to make headway (+37.5% year-over-year or y/y), investment in multi-family dwellings also rose for the second consecutive month (+10.3% y/y), boosted by a recovery in double and row housing

(Chart 3). Conversely, investment in new apartments continued to fall, although declines have eased. Nationally, new housing construction investment grew by nearly 6% y/y, with year-over-year growth slowing significantly in BC and Ontario.

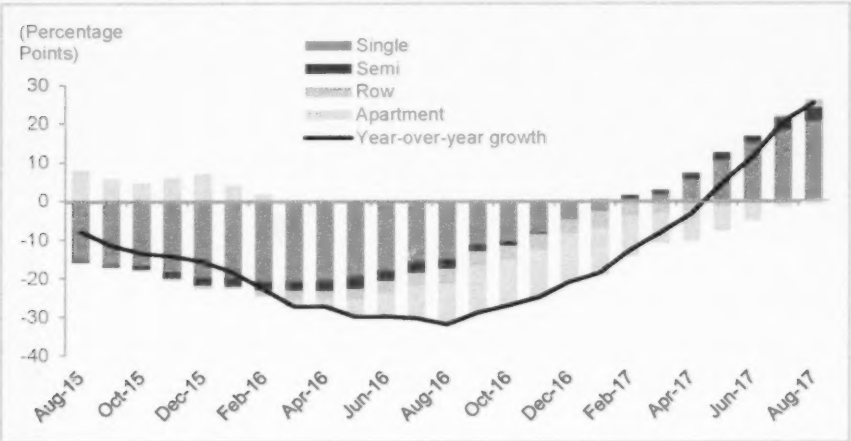
Wholesale Trade

Sales ease in August

Wholesale trade pulled back in August after reaching the highest level in over two years in the previous month. The value of wholesale trade dipped 2.0% m/m to $6.7 billion (Chart 4). Although sales fell in five out of the seven categories, most of the decline was in food, beverage, and tobacco (-5.1% m/m) and machinery and equipment (-3.9% m/m). These losses were moderated by higher sales at motor vehicles and parts dealers (+6.7% m/m). Despite the monthly drop, sales were 11% higher than last year, with all categories up except personal and household goods.

Chart 3: Row and double housing now contributing to growth

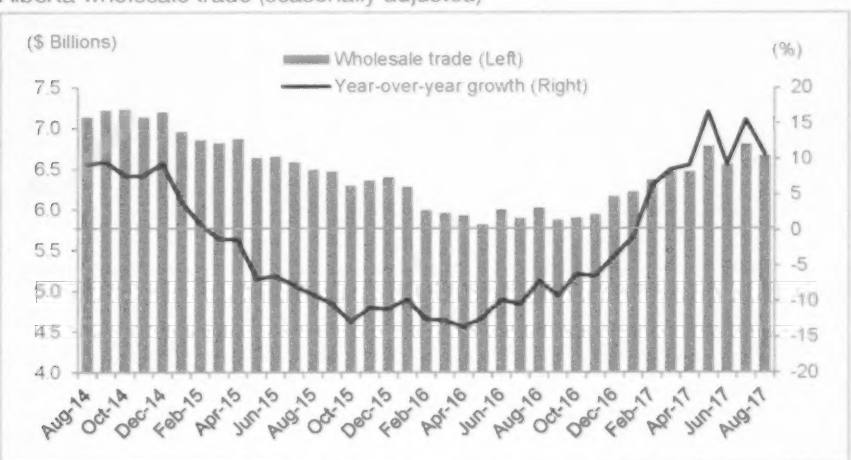
Contribution to year-over-year growth in new housing investment



Source: Statistics Canada

Chart 4: Wholesale trade retreats from two-year high

Alberta wholesale trade (seasonally adjusted)



Source: Statistics Canada

Railway Carloadings

Rail shipments bounce back

Western Canadian railway shipments rebounded in August after sliding in the past four months. Carloadings originating from Western Canada increased 5.7% m/m to 157,334 railcars, with the majority of the gains in chemical and fertilizers, wood, and energy-related freight. Compared to a year ago, carloadings were up 6.0%, with the biggest increase coming from wheat followed by potash and fuels oils and crude.

Monetary Policy

BoC back on the sidelines

The Bank of Canada (BoC) left its key policy rate unchanged following back-to-back increases in July and September. The move came as the BoC signaled a more cautious approach to future interest rate adjustments as it considers the economy's response to higher interest rates, given continued weakness in inflation. Even with economic activity moderating in the second half of the year, the BoC is forecasting Canadian economic growth to expand by 3.1% this year and 2.1% next year, higher than previously anticipated. Growth for 2019 is projected to be slightly lower at 1.5%. The BoC also highlighted a number of substantial uncertainties surrounding the outlook, notably the renegotiation of the North American Free Trade Agreement.

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Please see the *Alberta Economy - Indicators at a Glance* for a snapshot of Alberta indicators.